

# Sherrin Partners – Education Flyer

## Centrelink

### Age Pension

The Age Pension is a safety net for those people unable to fully provide an income for themselves in retirement.

Centrelink provides the Age Pension for men aged 65 or over and for women once they reach the qualifying age based on their date of birth. The qualifying age for women is increasing in order that both men and women have the same qualifying age by about 2014. The current Age Pension age is 60 for women born before 1<sup>st</sup> July 1935. This qualifying age increases gradually to age 65 for women born after 1<sup>st</sup> January 1949.

Payment is subject to both an Assets and Income Test, and the test yielding the lower payment rate will apply. A minimum period of Australian residency also may apply.

A person receiving the Age Pension may also be entitled to a range of supplementary payments (for example, Rent Assistance, Pharmaceutical Allowance, Telephone Allowance, Mobility Allowance and Remote Area Allowance). They will also qualify for a Pensioner Concession Card.

### Superannuation – Not Assessed by Centrelink

Any amounts invested or held within superannuation are generally excluded from Centrelink's Assets and Income Tests until the owner of the super fund reaches [the qualifying Age Pension](#) age. This age is currently 65 for males, and may be less for females.

This means that you may potentially shelter your assets within your superannuation funds to increase the level of your Centrelink benefits until reaching Age Pension age.

Once the owner of a super fund reaches Age Pension age, superannuation is treated as a financial investment. Financial investments are fully assessed by the Centrelink asset test, and are deemed to earn a certain rate of income by the Centrelink income test.

### Austudy

Austudy provides assistance to full-time students aged 25 and over who are undertaking an approved course of education at an approved institution. Those younger than age 25 may be eligible for Youth Allowance.

To qualify for Austudy payments you must be an Australian resident, who has been living in Australia for at least 2 years.

You also need to meet Allowable Time rules. This means that you must complete your course within the minimum amount of time, on either a full-time or part-time basis. Students with disabilities undertaking tertiary courses may be granted extra Allowable Time.

Payments are subject to a Personal and a Partner Income Test and an Assets Test. Under the Income Test, gross income is assessed and income above a certain limit may reduce payment. Students are able to accumulate part of their unused income-free portion (up to \$6,000) to offset future income in excess of their fortnightly income-free area.

Under the Assets test, different asset limits apply to homeowners and non-homeowners and payment may be deferred when liquid assets exceed certain amounts. Liquid assets include cash, term deposits, and shares.

Generally, secondary education courses, graduate courses, undergraduate courses, diplomas and TAFE courses will be approved for Austudy payments. Austudy is not available for Masters and Doctorate studies.

You may still continue to receive payments if overseas for up to 13 weeks temporary absence, or for longer periods, if you will be undertaking study at an overseas institution that will count towards your Australian course.

Austudy recipients may also have access to Remote Area Allowance, Lump Sum Advances, Fares Allowance, student loans, Health Care Card and the Pharmaceutical Allowance.

### **Newstart Allowance**

If you are unemployed, Newstart Allowance provides financial support while you are looking for work.

The amount paid will be determined under the Income and Assets Test for Allowees.

To qualify for the Newstart allowance you need to meet the following criteria:

- Must be unemployed, and capable of undertaking, available for and actively seeking work or temporarily incapacitated for work.
- Aged 21 or more but under Age Pension Age and registered as unemployed.
- May do training and voluntary work with approval.
- Willing to enter into [ana Preparing for Work Agreement](#)[Employment Pathway Plan](#) if required, allowing participation in a broad range of activities.
- NSA recipients incapacitated for work remain on NSA, subject to medical certificates.
- Must be an Australian resident.
- Available to newly arrived migrants after 104 weeks as an Australian resident in Australia (some exemptions may apply).

- If exempt from activity test may be paid for up to 26 weeks of temporary absence in certain circumstances (eg seeking medical treatment not available in Australia from a doctor).

### **Carer Allowance**

The Carer Allowance is an income supplement for carers of adults or children who require additional care because they have a qualifying medical condition, disability, or substantial functional impairment. This may include carers who look after frail, aged, chronically ill or disabled adults who need additional care or supervision.

For a list of qualifying conditions and other assessment criteria, please contact Centrelink. A Health Care Card may be available for qualifying applicants.

Individuals may be eligible for the Carer Allowance even if they already receive a Carer Payment. The Carer Payment is a separate benefit available from Centrelink.

If a carer does not live with the person for whom they provide care for, they may also be eligible to receive Carer Allowance.

The Carer Allowance is a tax-free payment and is not subject to either the Assets or Income Tests. The Carer Allowance may be received in addition to another type of income support payment.

### **Carer Payment**

The purpose of the Carer Payment is to make it easier for people to be cared for in the community and ensure that carers have adequate levels of income and the maximum opportunity to participate in society.

The Carer Payment recipient must be:

- an Australian resident, or allowed to live here permanently (a 2 year waiting period may apply for recently arrived migrants);
- living in Australia at the time the care is given;
- personally providing constant care to a person(s) with a disability; and
- caring for the person(s) at home or in hospital.
- Not receiving another income support payment (apart from Carer Allowance or Family Tax Benefit).

There are also certain criteria that the person they are caring for must satisfy:

- receiving social security income support or a service pension; OR
- not have qualifying residence for a pension; OR
- meet the special care receiver income and assets limits.

The payment is taxable if either the carer or the person being cared for is of Age Pension age. It is tax exempt prior to that.

Payment is subject to both an Assets and Income Test with the lowest yielding test applying.

### **Commonwealth Seniors Health Card**

The Commonwealth Seniors Health Card is aimed at independent but low-to-middle income retirees who have reached Age Pension or Service Pension age and who are not entitled to, or have chosen not to claim, an entitlement to social security benefits.

To obtain the Seniors Health Card a person must:

- be an Australian resident, living in Australia;
- have reached Age Pension Age or Service Pension age;
- have annual adjusted taxable income of less than the levels set by Centrelink; *and*
- not be receiving a social security pension or benefit, or a Service Pension.

Holders of the card receive concessional prescription medicines through the Pharmaceutical Benefits Scheme (PBS). This is a 'safety net', for people requiring a lot of medicines. Once prescription expenses reach a certain threshold amount over a calendar year period, clients are entitled to receive free PBS medicines for the remainder of that year.

There is no assets test for entitlement to this non-cash benefit.

## **Seniors Concession Allowance**

Holders of the Commonwealth Seniors Health Card are also entitled to the Seniors Concession Allowance. The Seniors Concession Allowance is a small non-taxable payment that is paid on in December and June each year.

The Seniors Concession Allowance is not subject to an income or assets test.

## **Assets Test**

The assets test acts to reduce the rate of the Age Pension where you hold assets with a combined value above the specific threshold. There are different thresholds for homeowners and non-homeowners, with non-homeowners allowed a higher level of assets before any reduction in the maximum payment they receive.

Assets assessed under the assets test - assessable assets - include:

- any cash or money you have in bank, building society or credit union accounts (including interest free accounts), interest bearing deposits, fixed deposits, bonds, debentures, shares, property trusts, friendly society bonds and managed investments;
- any assets you hold in superannuation and rollover funds if you are of age pension age;
- the value of any real estate, including holiday homes, you own (this does not include your principal home);
- the value of any businesses and farms, including goodwill (where goodwill is shown on the balance sheet);
- the surrender value of life insurance policies;
- the value of gifts you have made worth more than \$10 000 (including gifts to family members) in a single year of receiving income support;
- the value of any loans (including interest free loans) you have made to family trusts, members of the family, organisations, and so on;
- the value of any motor vehicles you own;
- the value of any boats and caravans you own which you do not use as a home;
- the value of your household contents and personal effects (the value is what you can sell it for);
- the value of any collections you have for trading, investment or hobby purposes;
- the value of your entry contribution to a retirement village if it is less than the difference between the homeowners' and non-homeowners' assets limits;
- the value of any accommodation bonds for hostels;
- the value of any disposable, immediate or presently payable you hold unless they meet all the required characteristics for assets test exemption; and
- the value of any allocated income streams you hold.

## **Income Test**

The income test reduces the maximum rate of pension payment where a person's means tested income is above the specified threshold.

The incomes test is applied at the time the first payment is granted and is reviewed twice yearly on 20 March and 20 September in conjunction with applying the assets test. If your income changes during these times you are required to notify Centrelink.

Sources of income subject to income testing include:

- deemed income from financial investments
- gross income from earnings
- net income from businesses
- family trust distributions or dividends from private company shares
- net income from rental property
- superannuation investments
- overseas pensions and income
- income from income stream products, such as annuities and allocated pensions.

Financial assets (e.g. cash and listed shares) are income tested under deeming rules that assume that a certain rate of income is being earned, regardless of the actual amount of income the investments provide.

### **Deeming of Financial Assets**

Deeming is a simple set of social security rules used to assess income from financial assets. Under these rules Centrelink assumes financial investments are earning a certain amount of income, regardless of the income they actually earn.

Deeming is used to calculate income for pension, benefit and allowance payments. As Family Tax Benefit is based on taxable income, it is not affected by deeming.

Deeming rates are continually monitored to ensure that they are appropriate. The deeming rates are amended by the federal Minister for Family and Community Services.

The deemed income is added to any income you have from other sources such as income from employment. Your total income is then used to work out how much pension, benefit or allowance can be paid to you.

Financial Assets include:

- bank, building society and credit union accounts
- term deposits and debentures
- friendly society bonds
- managed investments
- listed shares and securities
- shares in unlisted public companies
- gold and other bullion
- certain income streams (e.g. short-term assets tested income streams)
- approved deposit funds, deferred annuities and superannuation fund investments held by people over Age Pension age

- loans, including those to family trusts and companies, and
- gifts you have given of money or other assets of more than \$10,000 in a financial year, or more than \$30,000 over five financial years.

## **Deprivation – Gifting and Disposal of Assets**

To ensure that social security applicants do not simply give away money or assets in order to obtain a larger payment, there are “deprivation” rules. Deprivation occurs where a person gifts or disposes of assets above \$10,000 in any financial year, and either they do not receive adequate financial consideration (e.g. payment) for the assets, or Centrelink determines that the reason for disposal was to obtain a pension or higher pension. This includes money or assets transferred to family members or relatives, trusts and charities, and assets sold for considerably less than their market value.

Any gifts or amounts considered for deprivation within the \$10,000 annual limit will also be considered in an additional \$30,000 allowable limit over a rolling 5-year period.

Any asset gifted or disposed of over the specified limits is treated as an assessable asset and included by Centrelink in the Assets Test for a period of 5 years from the disposal.

Under the Income Test, any excess gift or disposal is assessed under the deeming rules for the same 5-year period, as if the excess was held as a financial asset. This means that an amount of income would be deemed to be earned for a period of 5 years. This deemed income would then be assessed by Centrelink for that 5-year period.

Any disposal of income (for example, re-direction or diverting of income) without disposing of assets, will result in the actual amount of the income disposed being assessed indefinitely.

### ***Examples of Deprivation***

If a person was to give \$15,000 to a family member in a financial year, \$5,000 would continue to be assessed by Centrelink as a deprived asset for a 5-year period, as this amount is in excess of the \$10,000 annual limit.

The 5-year limit may also apply, even if the \$10,000 annual limit was never exceeded. For example, if a person was to give \$10,000 to a family member each financial year for four years, this would be a total of \$40,000 over a rolling 5-year period (i.e. in excess of the 5-year limit of \$30,000). In this case \$10,000 would continue to be assessed by Centrelink as a deprived asset for a 5-year period.

## **Disability Support Pension**

For people whose physical, intellectual or psychiatric impairment prevents them from working, the Disability Support Pension (DSP) provides income to live on.

To qualify for the DSP, a person must meet the following conditions:

- Be aged over 16, but less than Age Pension age on the day the claim is made; AND
- They must have a physical, intellectual, or psychiatric impairment of 20 points or more, and be unable to work for at least the next two years as a result of the impairment; AND
- They must also be unable, as a result of the impairment, to undertake educational or vocational training which would equip them for work within the next 2 years; OR
- Be permanently blind.

The Disability Support Pension is non-taxable for people under Age Pension age. Age Pension age is 65 for males, and between 60 and 65 for females.

Payment is subject to an Income and Assets test. In addition, you need to satisfy certain residential requirements.

Please note special provisions apply to the permanently blind – where qualification for the DSP is automatic, and no Assets or Income test applies when determining the payment amount.

For further information about the “20 point” impairment test, please contact Centrelink.

## **Funeral Bonds**

Funeral bonds are investments used to accumulate funds to help pay for future funeral expenses. This helps to provide you with more certainty that money will be available upon your death to help pay for your funeral expenses.

The money invested plus the interest or bonuses received by the bond cannot be surrendered or accessed until the policy holder’s death, at which time the bond matures.

The money received at maturity is then able to be used to pay for funeral expenses. Proof of funeral costs may be required, and any unused investment value may be retained by the bond provider.

### *Social Security Treatment*

Funeral bonds are classed as exempt funeral investments for social security purposes. This means that if they meet certain rules, the value of the bond is exempt from the Centrelink Income and Asset Tests. As a result, use of a Funeral Bond can potentially increase the amount of Centrelink benefits you receive.

For a funeral bond to be exempt from Centrelink means testing, the initial amount invested cannot exceed \$5,000. If more than \$5,000 is initially invested, the bond is fully assessed by Centrelink as a financial investment.

## **Widow Allowance**

The Widow Allowance provides income support for eligible women who are aged 50 or over, and have been widowed, divorced or separated since turning 40.

There are no further new grants of Widow Allowance unless the woman was born on or before 1<sup>st</sup> July 1955.

People who have been granted this benefit may continue to receive payment until disqualification under the means tests or reaching Age Pension age (whichever occurs first). Age Pension age is between 63 and 65 for females, unless they are a veteran.

Widow Allowance is not activity tested. This means that recipients are not required to look for work or undertake training. However, recipients will have access to labour market assistance to find work if they choose to register with Centrelink. To be eligible, a person must have no recent workforce experience.

Payment is subject to both Centrelink's assets and income tests, and the test yielding the lower rate will apply. The Widow Allowance is taxable.

## **Youth Allowance**

Youth Allowance is a payment for young Australians who are studying, undertaking training, looking for work, or who are ill.

Youth Allowance allows young people to move between the activities of looking for a job, undertaking full-time or part-time training, or combining part-time study with other activities without having to change to a different payment.

It has a payment structure which provides incentives for young people to complete or further their education and training.

To be eligible for the Youth Allowance, a young person must be aged 16-24, studying, looking for work, or studying and looking for work, or be incapacitated and unable to study.

Allowance payments are subject to Centrelink Income and Asset testing. If the recipient is not independent, parental income and family assets tests may apply (i.e. there may be no personal assets test). After applying a parental income test, a personal income test is applied.

If the recipient is independent, homeowner and non-homeowner asset test limits apply. Youth Allowance payments are taxable.